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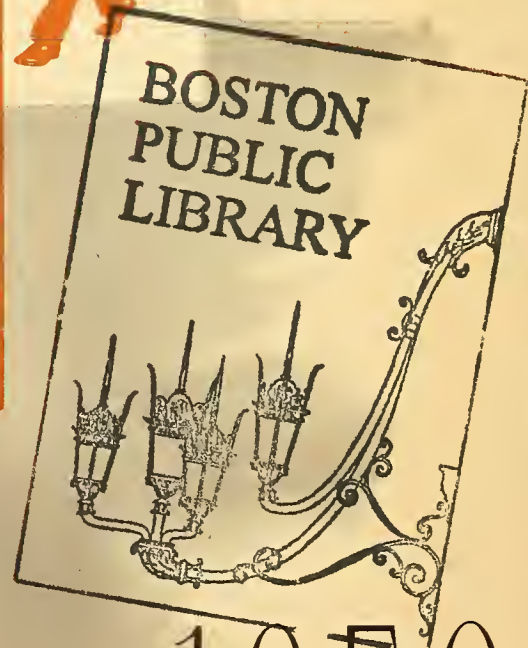
# ANNUAL REPORT

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1959



# TO PRUDENTIAL POLICYHOLDERS

THROUGHOUT THE UNITED STATES AND CANADA:

This Annual Report is the story in brief of Prudential activities in 1959.

It is a story of benefits paid — policyholders and beneficiaries received more than \$1.3 billion during the year. It tells of people protected — Prudential life insurance safeguards some 35 million Americans and Canadians. It also tells about financing assistance extended, operating methods improved, new products introduced — all leading to added peace of mind and greater material welfare for millions of persons in the United States and Canada.

To offer people some hope of offsetting the effects of higher living costs on their retirement incomes and to enable them to share in the growth of the economy, we at Prudential have been advocating Variable Annuities since 1955. In 1959, New Jersey adopted laws which will enable life insurance companies in the State to offer Variable Annuities. We are working to make this realistic aid to retirement planning widely available at the earliest possible date.

The year was productive and encouraging. As in the past, we sought to maintain high standards of performance while developing new insurance and investment services. I hope this Report will contribute to your understanding of how Prudential and Prudential people help advance the general welfare of families and businesses in the United States and Canada.

*Carrol M. Shanks*

Carrol M. Shanks, President



## Benefits: Over \$1.3 BILLION

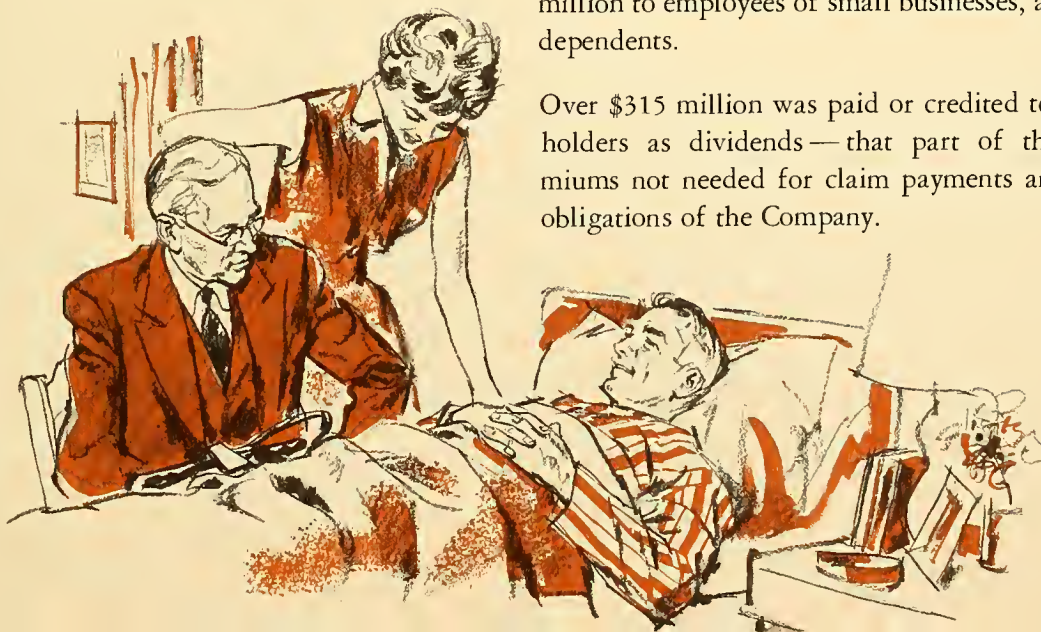
The thoughtful planning of men and women like yourself, fostered through the years by Prudential sales representatives, resulted in vital payments to policyholders and beneficiaries in 1959. Because in each case someone looked ahead, widows and children were provided for and made secure in their own homes; young people could continue in schools and colleges; older people were better able to enjoy retirement; and people of all ages were aided in meeting the cost of sickness and injury.

Living policyholders received approximately \$915 million in Prudential benefit payments — about two-thirds of the total benefits paid. Beneficiaries received over \$435 million. The total benefits amounted to \$1 billion, 350 million.

Exclusive of dividends, some \$670 million was paid under individual life and endowment policies and annuity contracts. Almost \$25 million in benefits under individual and family sickness and accident policies helped thousands of persons to pay hospital, medical, and surgical costs, and to meet living expenses when income was lost through illness or accident.

Employees in industry and their dependents received almost \$320 million in Group life, accident and health, and pension benefits. Employee Security Program policies provided another \$20 million to employees of small businesses, and their dependents.

Over \$315 million was paid or credited to policyholders as dividends — that part of their premiums not needed for claim payments and other obligations of the Company.



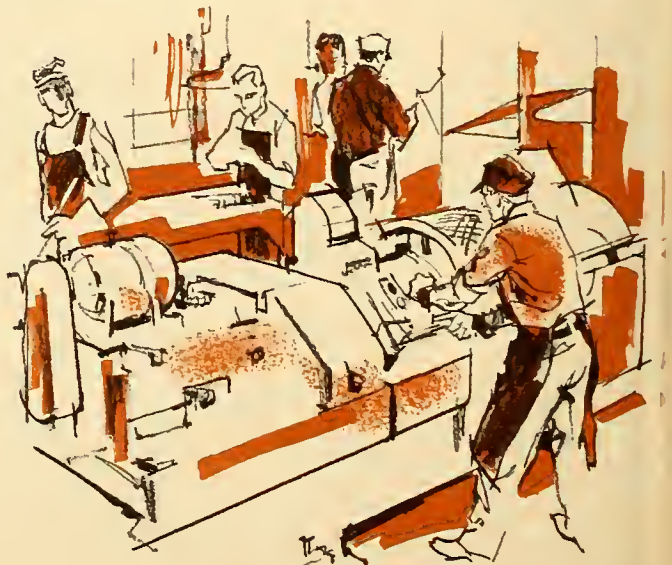


## Millions **PROTECTED**

Prudential's vast family of life insurance policyholders, numbering some 35 million, is now protected by close to \$77 billion in individual and employee-group plans — an increase of \$6.5 billion since 1958. Individuals and businesses purchased a total of nearly \$10 billion of new Prudential life insurance in 1959, thus adding to the security of families and employee groups throughout the United States and Canada. Pension plan sales raised to over one million the number of workers with future retirement incomes guaranteed by Prudential.

Health care insurance also gained rapidly in 1959. We now provide sickness and accident protection for some 4,400,000 persons under Group and Employee Security Program policies, and for an additional 1,200,000 persons under individual and family plans.

Assets — principally funds held to guarantee the payment of future obligations — rose to more than \$15.6 billion, an increase of over \$900 million above 1958.



## New Product DEVELOPMENTS

As the year 1959 began, Prudential introduced the Modified 5-10 life insurance policy, which quickly gained wide acceptance. It is especially suited to young family men whose incomes can be expected to increase. Premiums start low, increase after five years, and reach their ultimate level only after 10 years.

In June, Prudential announced its new Group Long Term Disability Benefits policy, which provides benefits to replace part of the income lost through prolonged total disability. This plan goes beyond the usual Group contracts in that it can provide a disabled employee with a continuous income for as long as five or 10 years, or even to age 65.

We began offering a Guaranteed Insurability option in July. This special provision is available with most new policies of \$5,000 or more, for a small extra premium. It gives the policyholder the right to buy substantial amounts of additional insurance at intervals up to age 40 — at standard rates, regardless of any change in his occupation or the state of his health. Under this plan, parents may guarantee the later insurability of their children. And in October, during the Company's celebration of its 84th anniversary, we introduced the first Prudential life insurance policy to be offered exclusively to women.

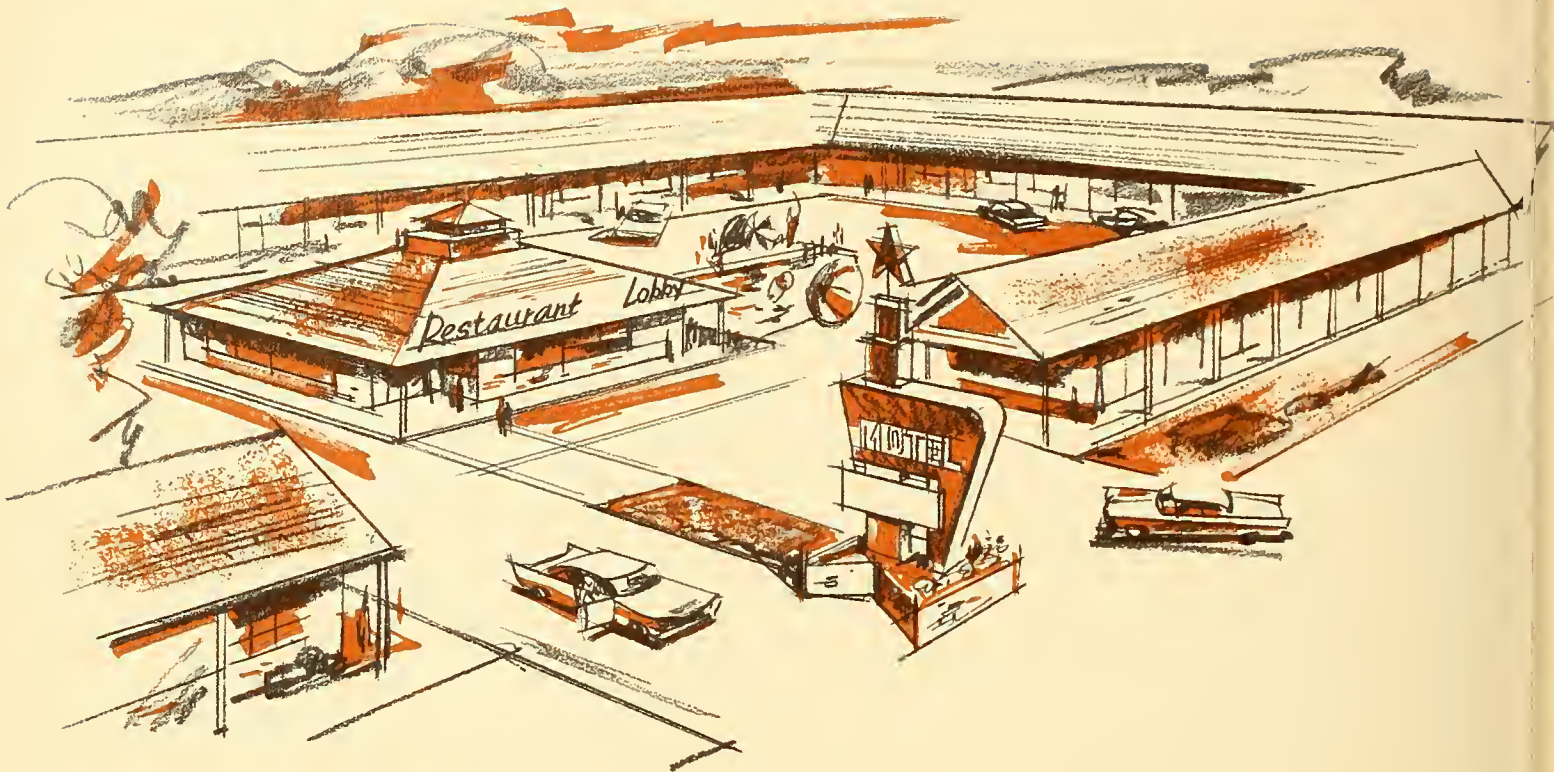
Continued improvement in earnings on investments, coupled with a change in the method of taxing pension reserve earnings, enabled us to revise our Group pension rates and make them much more attractive to purchasers.



## Variable ANNUITIES

Variable Annuities — which Prudential has long been recommending — were brought nearer reality by New Jersey authorities in 1959 when legislation was passed to permit and regulate the sale of this valuable aid to retirement planning.

Variable Annuities will provide a life income keyed to the value of a Prudential investment portfolio composed primarily of equities, including common stocks. Combined with fixed-dollar income from Prudential or other sources, Variable Annuities will offer the possibility of furnishing a relatively constant level of purchasing power during retirement years. They will be made available to the public — on both an individual and a Group basis — as soon as possible.



## Investment BENEFITS

Prudential's varied investments bring benefits directly to our policyholders, leading to insurance costs substantially lower than would otherwise be possible. Our total investment earnings during 1959 were \$545 million, after investment expenses and taxes.

To keep funds safely and profitably at work for the benefit of our policyholders, Prudential invests an average of some \$6.5 million every business day. Through their effect on the economy, these investments benefit millions of other persons across the United States and Canada.

## Home and Business FINANCING

Mortgage loans on real estate are handled by our Mortgage Loan and Real Estate Investment Department through offices in many cities. Loans made in 1959 on one-, two-, and three-family houses amounted to more than \$530 million, open-

ing the door to the enduring satisfactions of home ownership for over 34,000 families. This brought our investments in residential loans to \$4.4 billion, representing more than 500,000 individual loans now averaging \$8,640 each.

Current examples of mortgage lending for business purposes — out of 3,636 such new loans in 1959 — include a store building in Lincoln, Maine; a medical office building in Springfield, Missouri; a shopping center in Van Nuys, California; a cattle ranch in Cherry County, Nebraska; an apartment house in Chicago, Illinois; a warehouse near Montreal, Quebec; a motel in Decatur, Alabama.

Financing assistance is extended to a wide range of moderate-size and smaller corporations by our Commercial and Industrial Loan Department. Through regional facilities in the United States and Canada, it completed loans in 1959 for a total of \$107 million. Three-quarters of the loans to new customers were for \$1 million or less; almost one-half were for \$500,000 or less.

# IN 1959, **PRUDENTIAL...**

**PAID** over \$1.3 billion to living policyholders and to beneficiaries. Of this amount, policyholders received \$315 million in dividends—that part of their premiums not needed for claim payments and other obligations of the Company.

## **SOLO:**

Almost \$10 billion of individual and Group life insurance. As a result, total Prudential life insurance in force climbed close to \$77 billion.

Nearly 20,000 Employee Security Programs, bringing life insurance and sickness and accident coverage to 120,000 employees of small businesses, and their dependents. This brought the total number of persons protected in this way to over 685,000.

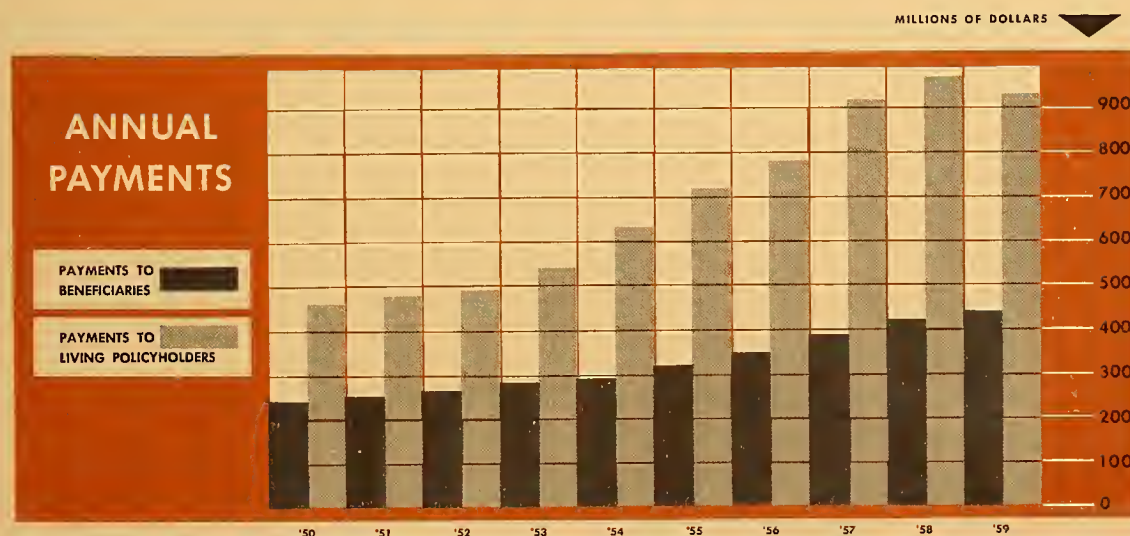
More than 200,000 individual Sickness and Accident insurance policies, bringing to over 1,200,000 the number of persons so protected by Prudential at year's end.

**INVESTED** over \$1.7 billion of policyholder funds in business, industry, housing and agriculture, to earn income and thereby reduce policyholder insurance costs. Investment income in 1959 was \$545 million, after investment expenses and taxes.

**EARNED** on its investments an average net rate of 4.19% before Federal income taxes, and 3.76% after taxes.

**INTRODUCED**, early in the year, the Modified 5-10 life insurance policy. Premiums start low; reach their ultimate level only after 10 years. Among those to whom it appeals are young family men with prospects of rising income. At year's end, purchases had reached almost \$1 billion.

**WELCOMED** the approval in New Jersey of legislation permitting the sale of Variable Annuities, a new and realistic approach to retirement planning. The contracts, which will offer the possibility of furnishing a relatively constant level of purchasing power during retirement years, will be made available to the public as soon as possible.



# Statement of Financial Condition

DECEMBER 31, 1959

## ASSETS

		1959	1958
Bonds			
U. S. Government bonds and bills	\$ 818,621,063		
Canadian Government	47,765,536		
State, Provincial, County and Municipal	22,559,148		
Railroad	180,126,448		
Public Utility	878,484,015		
Industrial and Miscellaneous	4,767,331,371	\$ 6,714,887,581*	\$ 6,331,253,701
Stocks			
Preferred	\$ 85,421,818		
Common	354,544,362	439,966,180	373,297,345
Mortgage loans on real estate		6,611,260,473*	6,289,192,349
Real Estate			
Occupied by Company	\$ 158,762,472		
Foreclosed	610,851		
Acquired for investment, and housing	405,909,439	565,282,762	493,565,312
Loans on policies		490,251,198	465,707,111
Cash in banks and in office		155,510,476	193,718,827
Net premiums secured by policy reserves		420,844,070	387,814,485
Investment income due and accrued		119,199,053	112,481,969
Other assets		151,760,983	84,741,413
		<u>\$15,668,962,776</u>	<u>\$14,731,772,512</u>

\*Bonds of \$167,601,609 and mortgages of \$248,650,239 included in the respective totals above are deposited with governmental authorities as required by law.

Assets of \$56,337,641 at December 31, 1959, representing funds withheld from or deposited by employees, mortgagors and others for income and

## AUDITORS' REPORT

We have examined the Statement of Financial Condition of The Prudential Insurance Company of America as of December 31, 1959, and the related Summary of Operations and Unassigned Surplus Account for the year then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary.

The legal reserves and statutory apportionments were certified by the Department of Banking and Insurance of the State of New Jersey. The other policy reserves and the sums declared as dividends and apportioned to the credit of policyholders were certified by the Chief Actuary of the Company.

In our opinion, based upon such examination, the accompanying Statement of Financial Condition, and the related Summary of Operations and Unassigned Surplus Account present fairly the financial position of The Prudential

# Financial Condition

December 31, 1959

## LIABILITIES

	1959	1958
Insurance and annuity reserves .....	\$13,096,714,862	\$12,340,043,690
Other policy reserves .....	447,654,075	455,924,721
Policy dividends declared, payable in the following year (in addition to \$55,622,900 applied December 31, 1959) .....	244,076,100	234,803,500
Apportioned to the credit of deferred dividend policies, payable after the following year .....	6,425,000	6,200,000
Other policy liabilities .....	569,283,404	513,028,727
Reserved for taxes .....	93,813,958	87,545,280
Mandatory valuation reserves		
For bonds and stocks .....	\$196,922,200	
For mortgage loans .....	44,981,675	
Miscellaneous liabilities .....	26,113,932	30,972,475
Total .....	\$14,725,985,206	\$13,874,767,080
Additional policy reserve required by New Jersey law .....	700,832,371	655,847,248
Additional reserve for fluctuations in securities values .....	1,517,424	—
Unassigned Surplus held for contingencies .....	240,627,775	201,158,184
	<u>\$15,668,962,776</u>	<u>\$14,731,772,512</u>

*other taxes, purchase of savings bonds for employees, etc., and liabilities of an equal amount, are not included in the above statement.*

Insurance Company of America at December 31, 1959 and the results of its operations for the year then ended, in conformity with generally accepted insurance accounting principles applied on a basis consistent with that of the preceding year, except that the increase in the mandatory asset valuation reserves less the net gain from adjustment in book value and sale of assets is reflected in the Unassigned Surplus Account rather than in the Summary of Operations, which treatment we approve.

### PUDER & PUDER

*Certified Public Accountants  
60 Park Place, Newark, N. J.*

February 19, 1960

# Summary of 1959 Operations

(ACCRUAL BASIS)

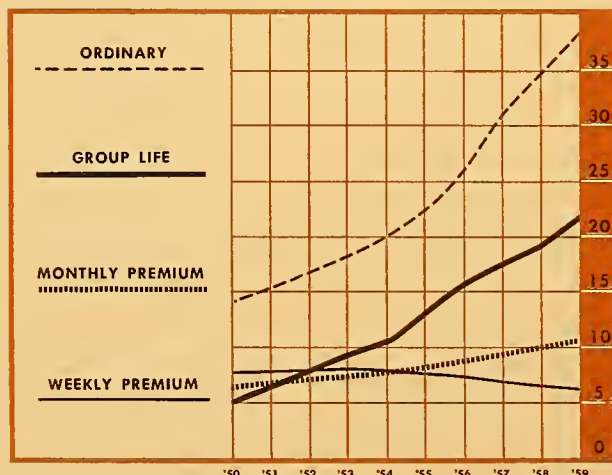
	1959	1958
Insurance premiums and annuity considerations.....	\$2,145,329,262	\$2,055,428,905
Investment income (after deducting investment expenses and taxes of \$113,210,731).....	545,253,283	478,541,154
Miscellaneous income .....	146,270	130,482
Total .....	\$2,690,728,815	\$2,534,100,541
Paid or credited policyholders and beneficiaries (exclusive of dividends).....	1,035,626,758	1,076,995,953
Increase in insurance and annuity reserves to provide for the payment of future claims.....	729,330,932	588,771,925
Insurance operating expenses .....	451,098,409	470,696,289
Taxes (\$123,116,030, less \$79,516,774 relating to investments).....	43,599,256	40,620,668
Total .....	\$2,259,655,355	\$2,177,084,835
Balance .....	\$ 431,073,460	\$ 357,015,706
Dividends to policyholders.....	315,193,702	305,705,016
Increase in margin for the protection of policyholders arising from current year's operations.....	\$ 115,879,758	\$ 51,310,690

## Unassigned Surplus Account

Balance, December 31, 1958.....		\$201,158,184
ADD: Increase arising from current year's operations.....	\$115,879,758	
Surplus arising from changes in valuing the amounts needed to provide for the payment of future claims.....	16,485,791	
Surplus arising from U.S. federal income tax adjustments applicable to operations of prior years.....	655,811	133,021,360
		\$334,179,544
DEDUCT: Increase in the additional policy reserve required by New Jersey law	\$ 44,985,123	
Increase in mandatory asset valuation reserves, \$35,655,188, less net gain from adjustment in book value and sale of assets, \$25,249,974	10,405,214	
An additional reserve for fluctuations in securities values.....	1,517,424	
Surplus applied to extend non-occupational vehicle accident benefit to certain existing policies.....	36,644,008	93,551,769
Balance, December 31, 1959.....		\$240,627,775

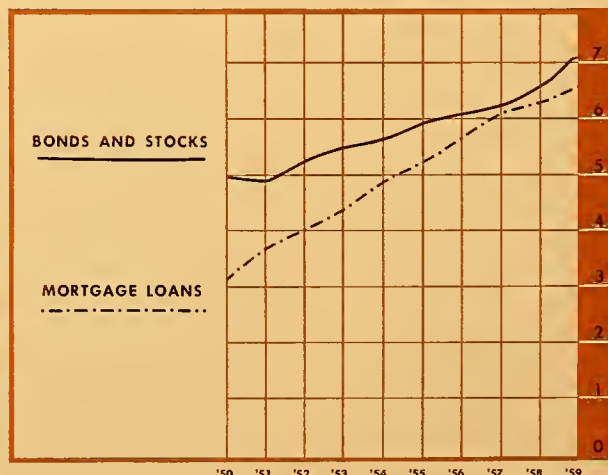
## INSURANCE IN FORCE

BILLIONS OF DOLLARS



## INVESTMENTS

BILLIONS OF DOLLARS





## Home and Business Financing *(continued)*

Loans to larger corporations and investments in stocks and government securities are the responsibility of our Bond Department. During the year, loans aggregating \$570 million were approved. Almost half of these were for amounts of \$5 million or less, with the others ranging to a high of \$60 million.

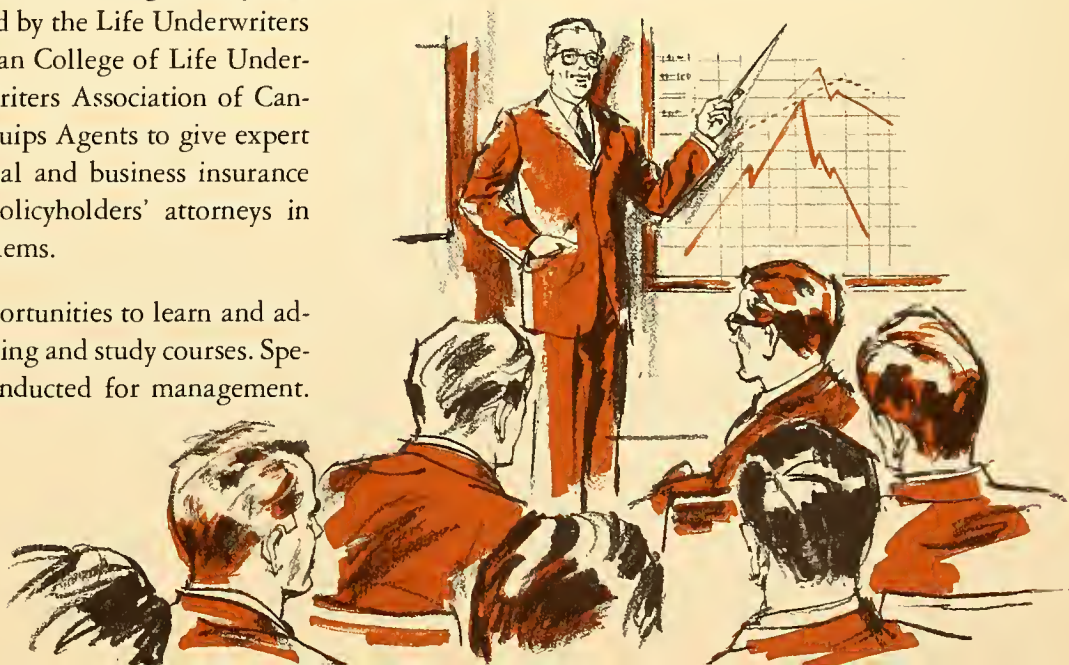
To business, industry and agriculture, Prudential's lending activities supplied well over \$1.1 billion in 1959, for a year-end total of \$9 billion. Every year, a multitude of enterprises — large and small — grow stronger through expansion and modernization financed by the Company. The result is a continual strengthening of the economic fiber of our two countries.

## Objective: SERVICE

Our many and diverse operations have one firm goal: to provide the best possible service to our policyholders and clients at the lowest possible cost. From the selection and training of an Agent to the location and design of a new office building, our objective is the same.

Instruction by Prudential in the fundamentals of life and health insurance prepares new Agents for the role of family security planner. Representatives are encouraged to supplement this instruction by taking advanced courses. They include those given by the Company, and those sponsored by the Life Underwriters Training Council, the American College of Life Underwriters, and the Life Underwriters Association of Canada. The added knowledge equips Agents to give expert assistance on complex personal and business insurance matters and to work with policyholders' attorneys in solving estate planning problems.

Our office staffs are given opportunities to learn and advance through on-the-job training and study courses. Special seminar programs are conducted for management.



## Continuous RESEARCH

Research is of vital importance in modern industry and it is carried on constantly at Prudential. Under continuous survey are such essential aspects of our business as personnel selection and training, sales and advertising approaches, investment practices, operating methods, and the need of the public for new insurance products. A major area is the field of electronic data processing, in which Prudential pioneered in 1955 after study dating from 1946. New developments are opening the way to ever greater speed, accuracy, and efficiency.

Many of our day-to-day improvements in service are developed through Prudential's employee suggestion award system, set up in 1914. Thousands of cash awards have been made since that time in recognition of the savings resulting from the better methods suggested.



Every advance in technique and equipment means that Prudential employees can more effectively serve the ever growing number of people and businesses who turn to us for insurance protection or for assistance in home and business financing.

## Closer RELATIONSHIPS

Prudential's program of decentralizing operations through the establishment of Regional Home Offices was begun in 1948. The program has resulted in closer relationships with policyholders, prompter and more varied investment assistance to businesses, and opportunities for our sales representatives to bring protection to more people. Prudential's stronger identification with local interests has proved beneficial to our clients and good for the Company, and we are continuing to expand and improve our facilities.



In Toronto, construction began in 1959 on the new 20-story building to be occupied by the Canadian Head Office in 1960 . . . In Boston, foundation work progressed for the 52-story tower which will be the focal point of Prudential Center, housing our Northeastern Home Office staff and tenants. The 31-acre Center will also include a hotel, a bank, stores, apartment buildings, and a municipal auditorium . . . In Chicago, where the Mid-America Home Office staff occupies eight floors of our building — the remaining 33 floors being rented to tenants — the two-millionth visitor paid admission to the top-floor Observation Deck . . . At the Home Office in Newark, the new 24-story Plaza Building neared completion, and demolition began on the remaining wing of one of the Company's oldest buildings.

## In the PUBLIC INTEREST

Wherever there are Prudential people — and at year's end they were some 57,000 strong in all the states and provinces of our two lands — you will find them playing active parts as public-spirited citizens. Perhaps you served in 1959 with a Prudential sales representative on a United Fund or Heart Fund campaign, or with one of our office people on a board of education or a town council. Maybe you are serving now with a civic or religious group in which a Prudential man or woman is, like you, contributing time and effort to a worthwhile cause.



Like its individual employees, Prudential as a company also works at being a good citizen, regularly supporting public service projects and movements on local and national levels. In 1959 we continued to contribute to public information and understanding by our sponsorship of the award-winning television program, *"The Twentieth Century"*, in both the United States and Canada. Each program deals dramatically with a significant problem, event or personality of our times (sample titles: *"Age Of The Jet"*, *"Japan's Changing Face"*, *"The Olympics"*, *"Mission: Outer Space"*, *"Victory Over Polio"*, *"Churchill: Man Of The Century"*). The needs for insurance and for the service of the Prudential representative are presented in brief commercial messages. We lend film prints of the shows free of charge to numerous schools and adult groups, and supply schools with teaching aids designed to help instructors who wish to integrate the series with classroom study.

On the French-language television network in Canada, Prudential sponsors *"C'est La Vie"*, a public-education series that has won wide acclaim for its presentation of sociological, medical, and legal problems.

Thus television, the most modern of the communications media, and our informative programs, which attract substantial audiences every week, help us maintain Prudential's 84-year-old reputation as a progressive company conducting every phase of its business in the public interest.



Life insurance for individuals,  
families and business...  
annuities...  
sickness and accident protection...  
insurance and pension plans for  
employee groups...

**TO OVER 35 MILLION PEOPLE INSURANCE MEANS PRUDENTIAL**

# THE EVIL OF INFLATION

More and more people have come to realize in recent years that inflation is doing real harm to the best interests of the people of the United States and Canada. Prices have risen almost every year since 1945, and the cost of living is now over 60% higher than it was at that time. This is of serious concern to everyone who earns, or saves, or lives on past earnings — and this means just about everybody.

Among those who have been most keenly aware of the evil of inflation is Prudential's President, Mr. Shanks. He has pointed out the causes and the dangers in numerous addresses to influential groups, and in testimony before Congressional Committees. Some of the talks have been widely circulated to editors, professors, and leading businessmen, and have been quoted in newspapers and magazines across the continent.

In an effort to bring an awareness of the problem to a greater number of persons, in 1959 Prudential presented a public service message about inflation on our television program, *"The Twentieth Century."* Toward the end of the year, we began enclosing with premium notices a letter from Mr. Shanks suggesting measures that policyholders could take to combat inflation.

The Institute of Life Insurance, central source of life insurance information for the American public, dealt with the problem in a series of advertising messages in newspapers with a total circulation of 46 million copies. These messages in the public interest were paid for out of funds

contributed by many companies, including Prudential. They urged people to call on their elected representatives to help balance Federal, State, and local budgets. They suggested shopping carefully, to get good values and save money. And they pointed out that savings provide capital — the only real source of economic growth — to build schools, homes, highways, and factories, thereby creating jobs and improving living standards.

The Canadian Life Insurance Officers' Association, of which Prudential is a member, ran a series of anti-inflation advertisements in newspapers all across Canada. They caused comment in the Canadian Senate, received broad editorial support, and helped create public sentiment in favor of a balanced national budget.

Inflation is a complicated economic illness. It is made worse by unbalanced budgets, by wage demands not justified in terms of improved productivity and efficiency, and by a lack of vigorous business competition. Good judgment in government spending will help to control it. So will a realization by business and labor that constantly rising prices work serious hardship on a large proportion of our people, and today are beginning to threaten our position in world markets.

Clearly, both economic justice and economic growth depend importantly on our ability to hold inflation in check.

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WHO

Home Office — Newark, New Jersey

Canadian Head Office — Toronto, Ontario

Mid-America Home Office — Chicago, Illinois

North Central Home Office — Minneapolis, Minnesota

Northeastern Home Office — Boston, Massachusetts

South-Central Home Office — Jacksonville, Florida

Southwestern Home Office — Houston, Texas

Western Home Office — Los Angeles, California

THE  
PRUDENTIAL INSURANCE

COMPANY  
OF  
AMERICA

